

**Program Budget Comparison**

The following table summarizes the total proposed budget by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	7.00	7.00	6.09	6.09	7.00	6.09	(0.91)	(13.00)%
Personal Services	523,947	658,797	507,257	507,573	1,182,744	1,014,830	(167,914)	(14.20)%
Operating Expenses	243,893	1,150,845	259,696	258,644	1,394,738	518,340	(876,398)	(62.84)%
Equipment & Intangible Assets	0	0	0	0	0	0	0	0.00 %
Transfers	61,642	0	25,900	27,250	61,642	53,150	(8,492)	(13.78)%
<b>Total Costs</b>	<b>\$829,482</b>	<b>\$1,809,642</b>	<b>\$792,853</b>	<b>\$793,467</b>	<b>\$2,639,124</b>	<b>\$1,586,320</b>	<b>(\$1,052,804)</b>	<b>(39.89)%</b>
General Fund	458,359	475,175	423,427	424,041	933,534	847,468	(86,066)	(9.22)%
State/Other Special Rev. Funds	357,697	404,467	356,000	356,000	762,164	712,000	(50,164)	(6.58)%
Federal Spec. Rev. Funds	13,426	930,000	13,426	13,426	943,426	26,852	(916,574)	(97.15)%
<b>Total Funds</b>	<b>\$829,482</b>	<b>\$1,809,642</b>	<b>\$792,853</b>	<b>\$793,467</b>	<b>\$2,639,124</b>	<b>\$1,586,320</b>	<b>(\$1,052,804)</b>	<b>(39.89)%</b>

**Program Description**

The State Information Technology Services Division (SITSD) is a proprietary program that provides central computing, data network, and telecommunications services for state government. SITSD provides central mainframe and mid-tier computer services and manages the statewide data network (SummitNet) used by all agencies located throughout the state. SITSD provides local and long distance telephone network services for state agencies, including the university system, and manages the state's video network. SITSD coordinates electronic government services and manages the state's Internet presence mt.gov.

The division houses the Public Safety Services Office that includes the state's 911, public safety radio, and Montana broadband programs.

The Office of the Chief Information Officer (office) directs and coordinates the development of the Statewide Strategic IT Plan, information technology (IT), statewide IT training, and establishment of hardware, software, and consulting service contracts used by agencies. The office also reviews and approves IT acquisitions.

**Program Highlights**

State Information Technology Services Division Major Budget Highlights
<ul style="list-style-type: none"> <li>Majority of the funding in this program is proprietary funds</li> <li>The executive proposes to increase state agency costs for information technology services by \$11.3 million over the 2017 biennium</li> </ul>

**Program Discussion -**

*Comparison of FY 2015 Legislative Base to FY 2015 Adjusted Base*

The State Information Technology Services Program did not change the FY 2015 legislative appropriations. The number shown in the program budget comparison table above reflects the budget approved by the 2013 Legislature.

*Comparison of the FY 2014 Actual Expenditures to FY 2015 Legislative Appropriations*

Actual FY 2014 expenditures are \$1.0 million lower than the FY 2015 legislative appropriation. The primary reason for the difference is due lower spending for the federal FirstNet planning grant. The federal grant supports the planning process for a specific frequency for emergency first responders. The legislature provided the funds as a biennial appropriation under the assumption creating a new program often results in lower expenditures in the first year.

**Executive Request**

The Governor revised his budget proposal on December 15 to include \$1.6 million for continuation of the FirstNet grant. Funding for the grant included \$90,000 in personal services authority for modified positions in FY 2015. The inclusion of the authority in FY 2015 drives the personal services changes between biennia. This is also the reason for the reduction in operating expenses between biennia as shown on the program budget comparison table. The Governor's revisions would result in an increase of \$637,000 in funding for operating costs in FY 2016 and a decrease of \$820,000 in FY 2017 when compared to the 2015 legislative base budget.

**Funding**

The following table shows proposed program funding by source from all sources of authority.

Department of Administration, 07-State Information Technology Services Division Funding by Source of Authority					
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	847,468	0	0	847,468	0.75 %
02105 Basic 9-1-1 Emergcy Phone Prog	0	0	6,321,576	6,321,576	25.68 %
02397 Enhanced 9-1-1 Emerg Tel Pgm	0	0	6,321,576	6,321,576	25.68 %
02594 Basic 911 Emerg Phone Program	712,000	0	0	712,000	2.89 %
02993 WIRELESS 911	0	0	6,322,224	6,322,224	25.68 %
02994 WIRELESS 911 PROVIDERS	0	0	4,937,894	4,937,894	20.06 %
<b>State Special Total</b>	<b>\$712,000</b>	<b>\$0</b>	<b>\$23,903,270</b>	<b>\$24,615,270</b>	<b>21.93 %</b>
03397 STATE BROADBAND DATA & DEV	0	0	0	0	0.00 %
03454 Homeland Security Grant	0	0	0	0	0.00 %
03462 GIS-Homeland Security Grant	0	0	0	0	0.00 %
03485 FirstNet Planning Grant	26,852	0	0	26,852	100.00 %
03562 CISO HSGP Grant	0	0	0	0	0.00 %
<b>Federal Special Total</b>	<b>\$26,852</b>	<b>\$0</b>	<b>\$0</b>	<b>\$26,852</b>	<b>0.02 %</b>
06522 ISD Proprietary	0	86,772,432	0	86,772,432	100.00 %
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$86,772,432</b>	<b>\$0</b>	<b>\$86,772,432</b>	<b>77.29 %</b>
<b>Total All Funds</b>	<b>\$1,586,320</b>	<b>\$86,772,432</b>	<b>\$23,903,270</b>	<b>\$112,262,022</b>	

General fund provides funding for the administration of the Public Safety Services Office. State special revenues in the program provide support for the administrative costs related to 911 services. Fees are imposed on a per month per access line basis for each telephone subscriber in the state using either land lines or wireless services.

*Proprietary Funding*

The majority of the office functions are funded with proprietary funds. These funds are considered and approved as rates charged to other agencies and divisions within this agency and are discussed in the "Proprietary Rate" section of the narrative.

*Statutory Appropriations*

The majority of the state special revenue funding in the division is statutorily appropriated for 911 services. 911 surcharges are collected by the state and statutorily appropriated for distribution to counties and telecommunication providers.

### Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Summary by Category								
-----General Fund-----					-----Total Funds-----			
Budget Item	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	475,175	475,175	950,350	112.14 %	1,809,642	1,809,642	3,619,284	228.16 %
PL Adjustments	(51,748)	(51,134)	(102,882)	(12.14)%	(912,947)	(913,851)	(1,826,798)	(115.16)%
New Proposals	0	0	0	0.00 %	(103,842)	(102,324)	(206,166)	(13.00)%
<b>Total Budget</b>	<b>\$423,427</b>	<b>\$424,041</b>	<b>\$847,468</b>		<b>\$792,853</b>	<b>\$793,467</b>	<b>\$1,586,320</b>	

### Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

Present Law Adjustments										
-----Fiscal 2016-----						-----Fiscal 2017-----				
FTE	General Fund	State Special	Federal Special	Total Funds		FTE	General Fund	State Special	Federal Special	Total Funds
DP 98 - LEG. Personal Services Present Law	0.00	(6,148)	31,602	(108,894)	(83,440)	0.00	(6,031)	30,843	(108,104)	(83,292)
DP 99 - LEG. Present Law	0.00	(45,600)	23,773	(807,680)	(829,507)	0.00	(45,103)	23,014	(808,470)	(830,559)
Grand Total All Present Law Adjustments	0.00	(\$51,748)	\$55,375	(\$916,574)	(\$912,947)	0.00	(\$51,134)	\$53,857	(\$916,574)	(\$913,851)

### DP 98 - LEG. Personal Services Present Law -

The Personal Services Present Law Adjustments (PSPL) in the table on the following page includes all present law adjustments related to personal services, including statewide present law personal services adjustments. This adjustment has been broken out by some of its component parts for a more detailed understanding of the adjustments. FY 2016 and FY 2017 contain the reductions in FTE made by the executive to implement the boilerplate language in HB 2.

Personal Services Present Law Adjustments					
FY 2016					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	6.59	\$1,502	\$1,701	\$0	\$3,203
Executive Implementation of 2015 Pay Increase		4,769	5,248	-	10,017
Fully Fund 2015 Legislatively Authorized FTE		7,304	-	-	7,304
Other		(19,722)	24,653	(108,894)	(103,964)
Personal Services Present Law Adjustments	6.59	(\$6,148)	\$31,602	(\$108,894)	(\$83,440)
FY 2017					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	6.59	\$1,502	\$1,701	\$0	\$3,203
Executive Implementation of 2015 Pay Increase		4,769	5,248	-	10,017
Fully Fund 2015 Legislatively Authorized FTE		7,304	-	-	7,304
Other		(19,605)	23,894	(108,104)	(103,816)
Personal Services Present Law Adjustments	6.59	(\$6,031)	\$30,843	(\$108,104)	(\$83,292)

**DP 99 - LEG. Present Law -**

The reduction in expenses and funding is due to the FirstNet planning grant which were not included in the November 15 Governor's budget submission. As previously discussed the Governor included \$1.5 million in federal funds for the First Net planning grant in his December 15<sup>th</sup> revisions.

**New Proposals -**

Total funds in the New Proposals table do not include proprietary funds budgeted in House Bill 2.

New Proposals										
-----Fiscal 2016-----					-----Fiscal 2017-----					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 700704 - FTE and Expenditure Reduction										
(0.50)	0	(103,842)	0	(103,842)	(0.50)	0	(102,324)	0	(102,324)	
<b>Total</b>	<b>(0.50)</b>	<b>\$0</b>	<b>(\$103,842)</b>	<b>\$0</b>	<b>(\$103,842)</b>	<b>(0.50)</b>	<b>\$0</b>	<b>(\$102,324)</b>	<b>\$0</b>	<b>(\$102,324)</b>

**DP 700704 - FTE and Expenditure Reduction -**

This request adjusts personal services and operating expenditures for FY 2016 and FY 2017 in order to balance to estimated revenues for this program.

**Other Issues -****Proprietary Rates****State Information Technology Services Division - 06522****Program Description**

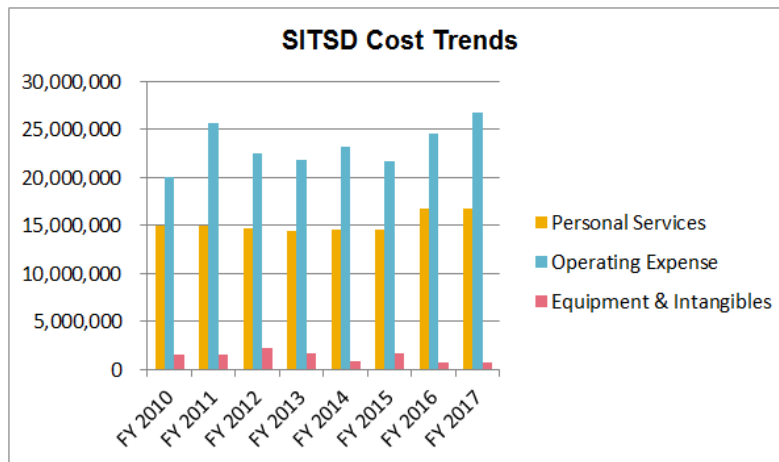
The State Information Technology Services Division manages information technology services for state government. Responsibilities include:

- Information Systems Security: ensure continuity of enterprise operations and security of data through risk assessment and mitigation, planning and monitoring, detailed recovery planning, incident response, and periodic testing. Coordinate security policies and procedures
- Network Technology Services: manage the statewide network (SummitNet); provide prioritized voice, video, data and wireless services; develop and implement solutions to address network growth and expansion; and support customers' needs regarding increased bandwidth and connectivity
- Enterprise Technology Services: develop and manage hardware and software services across the enterprise in a cost-effective manner
- Enterprise Support Services – manage service desk to assist customers regarding hardware and software applications, manage desktop lifecycle for customers
- Montana Data Centers: manage state data centers in Helena and Miles City and reliably, efficiently, and securely provide file storage
- Application Technology Services: support the state's mt.gov websites and assist customers to design and deploy customized applications and online services, including eGovernment applications
- Strategic Planning Services: ensure IT operations are conducted through planning and periodic performance reports, and provide oversight of agency IT procurements and plans
- Business and Financial Services – manage budget development, billing, and acquisition and procurement services for IT customers, implement strategies to meet customer needs and deliver and maintain services
- State IT Project Management Services – provide expertise, assistance, tools, methodologies, and training to customers to ensure IT projects are conducted in an organized, deliberative, and cost-effective manner

#### Revenues and Expenses

##### Expenses

SITSD is projecting large increases in various expenditures when compared to previous years. The chart below shows the costs for personal services, operating expenses, and equipment from FY 2010 through FY 2017 projections.



As shown, personal service costs have hovered around \$15.0 million since FY 2010. They are projected to be \$16.7 million in FY 2016 and \$16.8 million in FY 2017. The costs increases are due to:

- Reclassification of 33.50 FTE from one type of position to another type which increased costs for a portion of the positions
- Increases in pay and health insurance for proprietarily funded positions as provided in HB 13

Operating expenses increase from \$23.1 million in FY 2014 to \$24.6 million in FY 2016 and \$26.8 million in FY 2017. Projected increases include:

- Converged Traffic - \$75,322 in FY 2016 and \$1,994,927 in FY 2017
- Software program licenses - \$880,000 in FY 2016 and \$1,100,000 in FY 2017
- Multi-user computers repair and maintenance - \$188,500 in FY 2016 and \$292,000 in FY 2017

Overall expenses and revenues for the program are shown on in the figure below.

2017 Biennium Report on Internal Service and Enterprise Funds							
Agency # 61010	Agency Name: Department of Administration			Program Name: State Information Technology Services Division			
	Fund 06522	Fund Name ISD Proprietary					
		Actual FY12	Actual FY13	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
<b>Operating Revenues:</b>							
Fee and Charges							
Fee Revenue A		36,988,678	37,204,910	38,332,137	39,600,000	42,294,100	44,508,458
Other Operating Revenue		34,468	10,778	51,905	35,000	50,000	50,000
<b>Total Operating Revenues</b>		37,023,146	37,215,688	38,384,042	39,635,000	42,344,100	44,558,458
<b>Expenses:</b>							
Personal Services		14,708,049	14,318,880	14,658,251	15,502,081	16,733,047	16,757,600
Other Operating Expenses		27,433,836	24,880,710	25,706,816	23,240,212	25,558,627	27,723,158
<b>Total Operating Expenses</b>		42,141,885	39,199,590	40,365,067	38,742,293	42,291,674	44,480,758
<b>Operating Income (Loss)</b>		(5,118,739)	(1,983,902)	(1,981,025)	892,707	52,426	77,700
<b>Nonoperating Revenues:</b>							
Other Revenue A		696,638	-	-	-	-	-
<b>Nonoperating Expenses:</b>							
<b>Total Nonoperating Revenues (Expenses)</b>		696,638	-	-	-	-	-
<b>Income (Loss) Before Contributions and Transfers</b>		(4,422,101)	(1,983,902)	(1,981,025)	892,707	52,426	77,700
<b>Capital Contributions</b>							
Capital Contributions		872,349	-	33,132	-	-	-
Transfers In		-	-	19,522	-	-	-
Transfers Out		-	-	(467,866)	-	-	-
<b>Change in Net Position</b>		(3,549,752)	(1,983,902)	(2,396,237)	892,707	52,426	77,700
<b>Beginning Net Position - July 1</b>		10,258,556	6,708,774	4,720,622	2,324,385	3,217,092	3,269,518
Prior Period Adjustments		(30)	(4,250)	-	-	-	-
Change in Net Position		(3,549,752)	(1,983,902)	(2,396,237)	892,707	52,426	77,700
<b>Ending Net Position - June 30</b>		6,708,774	4,720,622	2,324,385	3,217,092	3,269,518	3,347,218
<b>Net Position (Fund Balance) Analysis</b>							

### Revenues

Funding for SITSD services is from charges to state agencies through the fixed cost process for server and application hosting and data network services.

Budget authority to pay the SITSD allocation is a fixed cost item in each agency's budget. The statewide fixed cost in the executive budget is \$11.3 million higher in the 2017 biennium when compared to doubled actual FY 2014 expenditures.

Using the source of the funding for the agency costs, this is a \$4.3 million general fund impact. Projected increases are due to:

- The amount of services projected by the agency
- Rate increases due to increased costs of services
- An increase in the requested working capital balance contribution included in the proprietary rates

SITSD uses a methodology to identify and allocate the full costs of each separate service it offers to the users of that service. This is known as the full-cost transparency model (FTM) and has been in place since the 2011 biennium. SITSD defines over 200 services, allocates costs and staff time to each service, and estimates the number of services that will be provided to each agency. Rates are based on a detailed allocation of expenditures and staff time to each service.

Changes to state agency SITSD costs from FY 2014 actual spending are shown in the following table.

Department of Administration State Information Technology Services Division Increases in Costs to State Agencies All Funding Sources				
Agency	FY 2016		FY 2017	
	Cost Changes	% of Total	Cost Changes	% of Total
Legislative Branch	\$145,068	3.16%	\$201,533	3.01%
Consuer Council	810	0.02%	810	0.01%
Judicial Branch	754,438	16.45%	789,462	11.78%
Governor's Office	(103,841)	-2.26%	(103,841)	-1.55%
Secretary of State	57,298	1.25%	57,298	0.86%
Commissioner of Political Practices	0	0.00%	0	0.00%
State Auditor's Office	15,789	0.34%	16,257	0.24%
Office of Public Instruction	(7,630)	-0.17%	(7,630)	-0.11%
Board of Crime Control	6,792	0.15%	6,792	0.10%
Department of Justice	619,384	13.50%	1,289,423	19.24%
Public Service Commission	6,013	0.13%	6,013	0.09%
Board of Public Education	2,881	0.06%	2,881	0.04%
Commissioner of Higher Education	(5,193)	-0.11%	(5,193)	-0.08%
School for the Deaf and Blind	15,940	0.35%	15,940	0.24%
Montana Arts Council	6,260	0.14%	6,260	0.09%
Montana State Library	5,641	0.12%	5,856	0.09%
Montana Historical Society	17,843	0.39%	17,843	0.27%
Department of Fish, Wildlife, and Parks	91,740	2.00%	122,983	1.84%
Department of Environmental Quality	32,679	0.71%	34,351	0.51%
Department of Transportation	713,334	15.55%	926,095	13.82%
Department of Livestock	9,466	0.21%	5,221	0.08%
Department of Natural Resources	221,522	4.83%	520,804	7.77%
Department of Revenue	623	0.01%	775	0.01%
Department of Administration	(311,678)	-6.79%	(299,869)	-4.47%
Office of the Public Defender	81,114	1.77%	96,061	1.43%
Department of Agriculture	128,711	2.81%	129,665	1.93%
Department of Corrections	428,083	9.33%	473,486	7.07%
Department of Commerce	85,797	1.87%	85,797	1.28%
Department of Labor and Industry	(36,453)	-0.79%	(41,498)	-0.62%
Department of Military Affairs	0	0.00%	0	0.00%
Department of Public Health and Human Services	<u>1,604,587</u>	<u>34.98%</u>	<u>2,347,880</u>	<u>35.04%</u>
Total Increased costs for State Agencies	<u>\$4,587,018</u>	<u>100.00%</u>	<u>\$6,701,455</u>	<u>100.00%</u>

As shown, proposed fixed costs for state agencies are significantly higher for the 2017 biennium.

In addition to the option discussed earlier of reducing support for personal service increases, the legislature may wish to discuss with SITSD other methods for reducing costs including:

- Reduction or elimination of services
- Postponing computer replacements
- Changes to software licensing agreements or switching to less expensive technology
- Reducing the working capital balance contribution included in the rates



*Proprietary Rates*

For the 2017 biennium the following rates are proposed by the executive. The rates charged in the base year are shown for comparison purposes.

Requested Rates for Internal Service Funds Fee/Rate Information				
	Actual FY14	Budgeted FY15	Budgeted FY16	Budgeted FY17
Fee Description:	30-Day Working Capital Reserve	30-Day Working Capital Reserve	60-Day Working Capital Reserve	60-Day Working Capital Reserve
The State Information Technology Services Division seeks the ability to continue to charge various rates in order to maintain a 60-day working capital.				

**LFD  
COMMENT**

By approving the working capital rate the legislature would allow SITSD to establish the rates for its customers, and set and change the level of the rates throughout the interim.